

Governor's Office of  
Agricultural Policy

## Kentucky Agricultural Finance Corporation

January 15, 2009



### Statement of Purpose

The Kentucky Agricultural Finance Corporation strives to  
*make sound long-term investments*  
*and improve net farm income*  
*by providing Kentucky's farmers*  
*access to capital that allows them flexibility*  
*in financial decisions and*  
*leverages their assets to secure*  
*affordable loans for the betterment*  
*of their farming operations.*



## Background

- 1984 – KAFC originally established
- 2002 – KADB's *Long-term Plan for Agricultural Development*
  - *Capital Access* one of top 6 Priorities
  - Recommendation to restructure KAFC to fulfill this priority
- 2003 – 1<sup>st</sup> Agricultural Development Fund Award to KAFC
- 2004 – KAFC moved to Governor's Office of Agricultural Policy (S.B.-146)
- 2006 – 2<sup>nd</sup> ADF Award for Beginning Farmer & Coordinated Value-Added Programs



## Program Benefits



### Benefits to Kentucky Farmers:

- Below market financing
- Utilize existing lender relationship
- Application process simple and streamlined
- Flexible payment terms
- Project may begin after application is received



## KAFC Program Benefits



### Benefits to Lenders:

- Compliment not compete
- Improve customer relations
- Improve cash flow of borrower
- Streamline application process
- KAFC subordinates to lender
- Flexible payment terms



## Lending Update

261 Loans Approved

FOR OVER

**\$31,253,332**



Invested across the Commonwealth

\*Total as of December 5, 2008



## KAFC Programs

- Beginning Farmer Loan Program (BFLP)
- Agricultural Infrastructure Loan Program (AILP)
- Coordinated Value-added Assistance Loan Program (CVALP)
- Agricultural Processing Loan Program (APLP)
- Large/Food Animal Veterinary Loan Program (LAVP)



## KAFC Programs

### Beginning Farmer Loan Program

*Helping beginning farmers achieve their dreams.*

**Purpose:** To assist individuals with farming experience who desire to develop, expand or buy into a farming operation.

**KAFC interest:** 2% (Requires Bank Participation)

**Requirements:** Beginning Farmer definition  
Net worth of \$500,000 or less  
Off-farm earnings of less than **\$100,000** for the household  
Five-year business plan and commitment of mentor

**Eligible Loans:** Livestock, equipment, agricultural facilities, permanent working capital, real estate down payment, investment in a partnership, and other at the discretion of the KAFC Board.



## KAFC Programs

### Beginning Farmer Loan Program

*Helping beginning farmers achieve their dreams.*

**Funds committed:** \$4,590,868

**Loans approved:** 46



**Joseph Sisk**  
Christian County  
Farmland w/grain storage\*



**Shawn Mattingly**  
Washington County  
50% interest in beef & tobacco operation\*



**Matt & Amanda Gajdzik**  
Shelby County  
Beef cattle, tobacco, soybeans



\*Photo not of actual farm purchased.



## KAFC Programs

### Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

**Purpose:** To assist Kentucky's agricultural producers finance long-term projects that will improve their financial viability.

**KAFC interest:** 2% with tobacco documentation; 4% without  
(Requires Bank Participation)

**Requirements:** 20% of Gross Income must come from farming

**Eligible Loans:** Limited to *structural improvements* that enhance the farm's profitability, including livestock facilities, grain bins, tobacco barns, fencing, and other long-term structures at the discretion of the KAFC Board of Directors.



## KAFC Programs

### Agricultural Infrastructure Loan Program

*Building the future of Kentucky agriculture.*

**Funds committed: \$12,871,726**

**Loans approved: 206**



**Jonathan Turner**  
Trimble County  
Tobacco Barn\*



**Joe Bertram**  
Barren County  
Dairy Freestall Barn

**Rider's Mill Farms**  
Hart County  
Native Seed Greenhouse



\*Photo representative, not of actual facility.



## KAFC Programs

### Agricultural Infrastructure Loan Program

Enterprise	Loans	Avg. KAFC Loan Amount	Total KAFC Loans	Total Project Costs	Ratio
Beef	11	\$53,590	\$589,492	\$1,426,651	2.42
Dairy	22	\$85,191	\$1,874,195	\$4,749,588	2.53
Equine	8	\$49,049	\$392,390	\$874,125	2.23
Forage	6	\$20,047	\$120,283	\$240,566	2.00
Grain	39	\$63,394	\$2,472,362	\$6,447,768	2.61
Other	7	\$71,198	\$498,388	\$1,378,058	2.77
Poultry	19	\$123,772	\$2,351,671	\$11,176,784	4.75
Swine	10	\$120,824	\$1,208,244	\$4,650,714	3.85
Tobacco	82	\$38,531	\$3,159,566	\$6,454,606	2.04
Vegetable	2	\$22,724	\$45,447	\$240,350	5.29
<b>Totals:</b>	<b>206</b>	<b>\$62,484</b>	<b>\$12,871,727</b>	<b>\$37,955,588</b>	<b>2.95</b>



\*Ratio=Total Project Costs / Loan total  
As of December 31, 2008





## KAFC Programs

### Coordinated Value-Added Assistance Loan Program

**Purpose:** To provide loan opportunities to companies and individuals in Kentucky who create contract production opportunities for other agricultural producers.

**Eligible Loans:** KAFC will provide and/or participate in loans to entities with operations in Kentucky that are expanding their contracting opportunities with Kentucky farmers.



## KAFC Programs

### Coordinated Value-Added Assistance Loan Program



**Burton Livestock, LLC**  
Mason County  
Dairy Heifer Development



**Funds committed:** \$1,467,110

**Loans approved:** 2

**\$967,110 KAFC Loan**

**KADF Forgivable Loan: \$419,818**

**KADF County Funds: \$5,000**



## KAFC Programs

### Agricultural Processing Loan Program

**Purpose:** To provide loan opportunities to companies and individuals in Kentucky interested in agricultural processing.

**Funds committed:** \$12,203,100

**Loans approved:** 7



**Dickerson Lumber Co.**  
Barren County  
Lumber Processing Facility\*

**Kentucky BioProcessing**  
Daviess County  
R&D of plant-made pharmaceuticals



\*Photo representative, not of actual facility.



## What's Next?

### Large Animal Veterinarian Assistance Program



**Purpose:** To assist individuals licensed to practice veterinary medicine in Kentucky who desire to construct, expand, equip or buy into a practice serving large animal producers.

**KAFC interest:** 2% (fixed)

**Requirements:**

Valid Kentucky veterinary medicine license

Net worth of \$500,000 or less

Five-year business plan and commitment of a lender





## What's Next?

### Large Animal Veterinarian Assistance Program (cont.)



**Eligible Loans:** acquisition, renovation and development of capital assets needed to facilitate a large animal veterinary practice, equipment essential for the delivery of services for a large animal practice, and other at the discretion of the KAFC Board.



## Closing

Questions

Comments

Recommendations



## Governor's Office of Agricultural Policy

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**Kentucky** 